

***Gold Loan Portfolio of PACS – A Game Changer for
Re-gaining Borrowing Membership
(A Case study PACS affiliated to SPSR Nellore DCCB)***

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Abstract

The paper explains through a success story that gold business at PACS level can be a revolution. This can lead to the second stage in financial inclusion wherein the unbanked community can get banking services along with easy credit at their vicinity. Further, with the inspiration of new NBFCs delivering Gold Loan Credit in urban areas at the doorstep, the PACS can extend similar kind of services to rural community with more flexible timings and convenience of its members. This kind of retail services in addition to Short term and Long-term agri finances, the credit portfolio of PACS shall increase and cross selling of products can happen.

Key Words: PACS, Gold Loans, Best Practices

Background:-

1.1. The Andhra Pradesh is the first State in the country, ushered a new era of providing both short term and long term credit facilities to farmers through single channel with the introduction of Single Window Credit Delivery System by merging land mortgage banks with APCOB and 13 DCCBs. The Credit Cooperative Structure (CCS) in the State consists of The Andhra Pradesh State Cooperative Bank Ltd., (APCOB) functions as an apex bank with 13 District Cooperative Central Banks (DCCB) and 2049 affiliated Primary Agriculture Cooperative Credit Society (PACS) at village level with a branch network of 2600 outlets. The total membership of the rural Cooperative Credit Structure (CCS) is 74 lakh out of which, the active/borrowing members are 18 lakh only. Even though, the rural cooperatives have good network and penetration at grass root level, they are unable to show greater impact in financial inclusion due to various factors.

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1.2. In recent times, considerable efforts have been made to increase the active membership of the CCS by providing better financial services to the member farmers and rural population by providing various banking services like opening of saving bank accounts, opening of issuance of Rupay KCC, deployment of Micro ATMs, implementation of Social Security Schemes, establishment of ATMs and Mobile ATMs etc., by leveraging technology and also introduction of diversified loan portfolios viz., ST Others loans, Group Mode finance – SHGs/JLGs/FPOs, Gold Loans, personal loans, vehicle loans, education loans, housing loans, mortgage loans etc., apart from traditional Crop loans and LT Loans for agriculture purpose.

1.3. Here, it is pertinent to mention that the Andhra Pradesh State is front runner in taking of various initiatives to provide better services to the rural community. In this direction, The State Government has initiated a scheme called “YSR - Navaratnalu Scheme”. Under this scheme, the State Government intends to provide financial assistance to the farmers, to provide pension timely, to improve the healthcare sector and to provide housing facilities etc. As part of YSR Navaratnalu, the Government created considerable infrastructure and institutional setup at grass root level like Village and ward secretariats, Village and ward Volunteers, Rythu Bharosa Kendralu (RBK) by leveraging technology for effective implementation of the government schemes and to provide better services people at their door steps.

1.4. In the recent amendments to State Cooperative Act., the State Government is thrusting on CCS, in reaching out the rural population through PACS-RBK integration for implementation of various services. The Government of Andhra Pradesh constituted a State Level Task Force headed by the Chief Secretary to Government to prepare guidelines for implementation of PACS-RBK Integration. Based on the recommendations, the State Level Task Force had issued guidelines on RBK-PACS integration, which enables RBK to act as BC for PACS/DCCB branch for credit requirements of farmers/rural community at one place. In line with the guidelines of GoAP, the APCOB had issued SoP to be followed by the PACS for issuance of Gold loans/JLG loans/other retail loans.

2. The Case:-

Is introduction of diversified loan products like Gold Loans and other retail loans in PACS have impact on the Borrowing membership of PACS. The case study on PACS affiliated to SPSR Nellore DCCB.

3. Impact of Gold Loan portfolio of PACS affiliated to SPSR Nellore DCCB:-

3.1 Background:- Sri Potti Sriramulu Nellore District Co-operative Central Bank Ltd., Nellore, registered and started its functioning from 11-01-1918 having a long cherished history of 104 years serving the farmers and rural artisans in the District. The area of the operation of the Bank extends to 3 Revenue Divisions namely Nellore, Kavali and Atmakur in residual SPSR Nellore district and 2 Revenue Divisions namely Gudur and Sullurpeta in Tirupathi district covering 46 Revenue Mandals of the District. The Bank branch network of 20 covering area of operation of bank, and 80 PACS affiliated and 370 other type of Societies.

3.2 Market share:- Even though the DCCB is having branch bank network(including PACS) share of 16%, the total business (loans and Deposits) is only 3 to 4 %.

3.3 Gold Loans at PACS:- In accordance with the guidelines issued by Government and APCOB, the DCCB with the support of PDC have been taken intensive exercise through – sensitising PACS management, PACS Staff & DCCB Branch staff – through PACS visits, conduct of regional meetings, Supervisors meetings and Branch Managers meetings for undertaking Gold Loan business at PACS. With the result of the continuous follow up, at the end of the FY 2022-23, total 24 PACS have initiated the Gold Loans out of the 80 PACS. The progress under Gold Loan portfolio of the PACS for the last 3 years is given as under:-

Year	Total PACS	Total Membership	Borrowing Membership	Gold Loan Business		
				No. of PACS	Amount (Rs. In Cr)	No of borrowers
2020-21	79	3,58,606	60,126	9	5.60	936
2021-22	80	3,62,811	62,855	9	10.39	1550
2022-23	80	3,72,600	65,500	24	20.48	2409

3.4 Support extended by various stakeholders

3.4.1 DCCB/PDC:-

- Conduct of Capacity building programmes for Staff and Managing Committee of PACS for undertaking diversified loan portfolios like Gold Loans, Vehicle Loans, Rural House Construction/Mortgage.
- Assisting the PACS for adoption of policy, appointment of appraiser, advertisement of products.
- Providing Working Capital Limit at a competitive Rate.
- Providing of term loan facility at a competitive rate for construction of strong room.
- Timely providing of Cash to meet the credit requirement.

- f) Creating awareness among the members farmers through Steetplays, FLC programmes at major gram panchayats, display of banners indicating the products and services render through Branch and PACS, distribution of publicity material.
- g) Extending grant support for procurement of required infrastructure in collaboration with APCOB.
- h) Supervising the activity through monthly visits by Branch Managers and Supervisors, verification of gold bags, updation of books of accounts.

3.4.2 Support extended by APCOB:-

- a) Extending necessary policy support for DCCBs/PACS.
- b) Extending refinance support.
- c) Extending financial and Human Resource Support for functioning of PACS.
- d) Providing of grant support under CCB Development Fund for procurement of infrastructure items to PACS viz., Strong Room Door, Iron Safe, Gold Weighing Machine, Cash Counting Machine etc.,

3.5 A success story of Padugupadu PACS –

3.5.1 Padugupadu PACS is located in 1.5 km away from DCCB Kovuru Branch in Kovuru, municipality and catering to the credit and non-credit farming needs of farmer members belonging to 10 villages of Kovuru Mandal. As part of business diversification, the PACS initiated gold loan business in the month May 2022 as per the directions of Government and APCOB. With the commitment of the CEO and PACS Staff, guidance and support extended by the PIC Committee of PACS, PDC and DCCB, **the PACS could able to achieve loan outstanding of Rs.3.85 Crore extended to 200+ farmer members, in a span of 10 months.**



3.5.2

With increased foot fall of the new customers/members and also existing members, the PACS started cross selling of their products and services viz.,

3.5.3

- a) Issuance of retail loans under Rural House Mortgage, Rural House Construction, Kisan Chakra(2/4 wheeler).
- b) Mobilisation of deposits.
- c) Letting out lockers.
- d) Insurance coverage under PMSBY/PMJJBY through DCCB branches.

3.5.4 Best practices followed by the PACS for achieving this milestone –

- a) Wide publicity in all 10 villages pertaining to area of operation of PACS through distribution of pamphlet, dandora etc.,
- b) Intimation to all members of PACS over phone and announcement in General body of PACS.
- c) Conduct of social service activities like blood donation camp during every General Body and providing RO water at a concessional rate through plant located in the premises of PACS.

- d) Round the clock services – Business hours from 6.00 am to 8.00 pm depending on the requirement of member farmers.
- e) Effective coordination with DCCB Branch to make cash availability all the time.
- f) Turn Around Time (TAT) – upto 5 min.

3.6 Benefit for PACS for undertaking Gold Loan business –

- a) Increases the foot fall of the customers.
- b) Sustaining existing borrowing membership.
- c) Attracting new loanees, thereby increasing borrowing membership.
- d) Direct impact on business and profitability of PACS, thereby reducing imbalances.
- e) Increases the goodwill and brand image through mouth to mouth publicity
- f) Increases the cross selling of other products of PACS as well as DCCB.
- g) Infuse professionalism in PACS in maintaining customer relationship.

Conclusion: -

The PACS being the readily available credit institutions are rural areas with flexible timings and easy access, gold business at PACS level can be a revolution. This can lead to the second stage in financial inclusion wherein the unbanked community can get banking services along with easy credit at their vicinity. Further, with the inspiration of new NBFCs delivering Gold Loan Credit in urban areas at the doorstep, the PACS can extend similar kind of services to rural community with more flexible timings and convenience of its members. This kind of retail services in addition to Short term and Long-term agri finances, the credit portfolio of PACS shall increase and cross selling of products can happen.